

Finding Common Ground on Rent Control

A Turner Center Policy Brief

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Introduction

California is in the throes of a serious housing crisis, with rising rents and displacement pressures touching a growing number of individuals and families throughout the state. According to the California Budget & Policy Center, more than half of California renter households (three million) are “rent-burdened,” paying more than 30 percent of their income on housing.¹ Of those, 1.5 million pay more than 50 percent.² While many low-income renters have long faced housing cost burdens, these challenges are reaching higher up the income ladder as 35 percent of moderate-income California households now also face rent burdens.³ Punctuating these sobering statistics are the seemingly endless daily anecdotes of families receiving exorbitant rent increases and being forced to choose between their homes and their other daily needs.

There is a growing chorus calling for local and state policy action to provide relief and stymie this worsening crisis. One idea that has gained significant traction is the repeal of the Costa-Hawkins Rental Housing Act in order to pave the way for the expansion of rent control. Proponents of repeal see it as an effective way to provide protections against rising housing costs for renters. Recent research has found that households living in rent-controlled units are less likely to move (thus providing increased housing stability), and benefit from significantly lower rent payments over time.⁴

At the same time, new housing construction has not kept pace with population and job growth, and that shortfall in housing supply is a significant contributor to the spiraling increases in rents. In recognition of that imbalance, many adamantly oppose the effort to repeal Costa-Hawkins. Opponents cite concerns that a full repeal of Costa-Hawkins would result in a significant *reduction* in overall housing supply by suppressing new construction, forcing units out of the rental market entirely, and/or reducing housing quality. This position is supported by a significant body of literature showing that strict rent controls—which would become legal under a full repeal of Costa-Hawkins—constrain new housing supply and lead to the removal of existing units from the market.⁵

California clearly needs pathways to protect renters and create more long-term affordability *without* reducing the supply of rental housing. But to achieve these goals, the state will need to look beyond Costa-Hawkins and jurisdiction-by-jurisdiction rent control ordinances. To that end, this brief discusses two key potential policy ideas to achieve the goals outlined above, informed by both the Center’s collective expertise and our participation in and facilitation of numerous related policy discussions over the past year.

The first policy proposal provides meaningful protection to *all* California renters, regardless of whether their community has any kind of rent control policy in place, while the second seeks to increase the supply of below market rate (BMR) units across the state.

Specifically, the Turner Center proposes the state should adopt:

- A broad “anti-gouging” rent cap applied to all rental units statewide that would make it illegal to raise rents above specific amount, determined annually by formula.
- An incentive to developers of new and rehabbed rental buildings to include on-site BMR units in exchange for property tax relief.

Of all the potential policies the Turner Center explored, the two presented here emerged as the most likely to have a meaningful impact *and* garner the political support necessary to become reality. (Other proposals considered, which could inform discussions around a compromise that avoids the full repeal of Costa-Hawkins, are included in Appendix A for further consideration.)

In putting forth these policy ideas, the Turner Center is not suggesting that these proposals alone will solve the housing crisis in California. Price protections are only one piece of a comprehensive solution to protect tenants and alleviate the state’s broader housing crisis. The policies proposed here are also not meant to preclude other potential protection policies at the state and local level (e.g., efforts to increase legal aid resources for low-income renters or to expand “just cause” eviction protections) nor should they supplant other efforts to increase housing supply, which is central to creating affordability over the long term.

Background on the Costa-Hawkins Rental Housing Act

The Costa-Hawkins Rental Housing Act was passed by the California Legislature in 1995 and places specific restrictions on how rent control ordinances can be enacted at the local level. The legislation:

- Exempts all single family homes, condominiums, and all units built after February 1, 1995;
- In cities that already had rent control policies in place, freezes the eligibility of units that can come under rent control at the age threshold in place when the ordinances were adopted (i.e., the only units in San Francisco that fall under rent control are those built prior to June 13, 1979); and
- Prohibits “strict” rent control (i.e., vacancy control) which requires rents to remain controlled even after a tenant moves out.

Of California’s 482 municipalities, 15 jurisdictions—which together represent roughly 20 percent of the state’s housing units and one-quarter of its rental units—have passed some form of rent control. These include both “legacy” rent control cities with ordinances dating back to the late 1970s/early 1980s (such as San Francisco, Los Angeles, Berkeley and Santa Monica) and Bay Area cities such as Mountain View and Richmond that have only recently enacted ordinances.

There is movement to put rent control ordinances on the ballot this year in several cities, including Santa Ana, Long Beach, Pasadena and Sacramento. Meanwhile, some advocates have pushed for a full-scale, statewide repeal of Costa-Hawkins, which would allow cities to amend their existing rent control ordinances or adopt new versions without the restrictions required under Costa-Hawkins. (In a few cities, local rent control laws may not have been revised to reflect Costa-Hawkins. In these cases, the repeal of Costa-Hawkins could allow these pre-Costa-Hawkins laws to take effect immediately.)⁶

This effort began in earnest in 2017, when Assemblymembers Rob Bonta, Richard Bloom and David Chiu introduced Assembly Bill 1506 to repeal Costa-Hawkins. The bill did not receive a hearing during the 2017 session. In January of 2018, the bill *did* receive a hearing in the Assembly

Committee on Housing and Community Development. After a very contentious debate, the bill failed to advance by a vote of three to two, with two members abstaining.

Concurrently, a statewide ballot measure was filed in October 2017 to put the repeal of Costa-Hawkins to the voters in November 2018. As of this brief, it appears as though the sponsors of the measure have obtained enough signatures to qualify the measure, named the “Affordable Housing Act.” If approved, in addition to repealing Costa-Hawkins, any subsequent amendments to the Affordable Housing Act would require a two thirds majority vote by the state legislature.

Background on Rent Control

Proponents of the full Costa-Hawkins repeal and expansion of rent control believe that enacting stronger price protections is the most effective way to protect tenants and avoid displacement, which disproportionately affects lower-income tenants and renters of color. One study in New York—which has strict rent control laws—found that rent control does achieve those intended effects, providing residential stability for low-income households.⁷ In San Francisco, another study found that households living in rent controlled units were 20 percent more likely to stay in their homes, and benefited from between \$2,300 and \$6,600 per person each year in rent savings.⁸

On the other hand, the literature also suggests that strict rent controls—which would become legal under a full repeal of Costa-Hawkins—could constrain new housing supply, reduce investment in housing quality, lead to the removal of existing units from the market.⁹ There is also concern that, because rent control is rarely means-tested, the benefits don’t always accrue to those who need it most.

A study in Cambridge, Massachusetts found that when rent control was expanded in 1970, “roughly 10 percent of the city’s rent-controlled housing stock was converted to condominiums and moved out from under the grasp of the ordinance.”¹⁰ Moreover, the subsequent removal of controls in 1995 resulted in a significant increase in property investments and a rise in housing quality.¹¹

Similar results have been found in California cities that instituted stricter versions of rent control prior to Costa-Hawkins. Specifically, occupied rental housing between 1980 and 1990 in the rent-controlled cities of Berkeley, Santa Monica, West Hollywood and East Palo Alto (which all had vacancy control, requiring rents to remain controlled even after a unit is vacated) declined by 5.9 percent, while adjacent cities without such controls saw their occupied rental housing increase by about 2 percent.¹² Even under Costa-Hawkins, rent control has been found to have a negative effect on overall supply. The San Francisco study cited above found that while it benefited those in controlled units, rent control “reduced rental housing supply by 15 percent, causing a 5.1 percent city-wide rent increase.”¹³

Alternative Options for Tenant Protections

The challenge here is to find a way to extend meaningful protections to renters, without constraining new supply. To do this, the Turner Center examined a number of potential policies that could be the basis of strong protections in California without the negative consequences that accompany the type of strict rent control that would become legal under a repeal of Costa-Hawkins. Of the policies examined, two provide the most promise of creating new, broad renter protections to guard against the most egregious rent increases, as well as creating more BMR units to help expand the overall supply of affordable housing. The two proposals are described in the following sections.

“Anti-Gouging” Cap

During a declared disaster or state of emergency, California Penal Code 396 makes it a misdemeanor for a landlord to increase rents in excess of 10 percent from what was charged directly prior to the disaster declaration. This statute was recently invoked in the context of the North Bay fires, which destroyed thousands of homes and created a dire shortage of housing in the region. One option would be to create a statewide statute that would make it illegal for any landlord of any property type to increase rents on an annual basis in excess of an amount determined by a formula as described below. This policy is intended to protect all California renters against the most egregious rent increases regardless of the unit that they rent, and regardless of whether their city has a rent control ordinance. (It would not preclude a locality from adopting its own rent control ordinance under the existing Costa-Hawkins requirements.)

The details of this policy are as follows:

- The cap would be enacted statewide and would remain in place (rather than only be invoked in the context of a disaster) to ensure predictability and stability for both renters and landlords over time. As a statewide policy, it would extend to jurisdictions without rent control under Costa-Hawkins, as well as units that are not currently controlled in cities that already have rent control (e.g. single-family rentals in Oakland).
- The ordinance would apply to all rental units, not simply the units eligible for rent control under Costa-Hawkins. The cap would *not* apply during a change of tenancy (i.e. the rent set for a new tenant is not subject to any cap).
- The cap would be based on the regional Consumer Price Index (where available, otherwise the state CPI would apply) plus an additional 5 percent. The total general increase (CPI+5 percent) could not exceed 10 percent in a given year, consistent with the current anti-gouging statute and many local rent control ordinances, unless the CPI itself went above 10 percent (which is possible in a very inflationary environment). In that scenario, the cap would be set at the CPI.
- The state and municipalities would be required to post allowable rent increase levels each year on their websites. Landlords would be required to supply that information to tenants when they sign their lease, and/or the parameters of the rent increase cap could be added to the standard California lease agreement.

- Enforcement would depend on tenants lodging complaints against owners who exceed the annual increase cap. Penalties could be modeled after the existing anti-gouging statute, which is as follows:
 - “A violation of this section is a misdemeanor punishable by imprisonment in a county jail for a period not exceeding one year, or by a fine of not more than ten thousand dollars (\$10,000), or by both that fine and imprisonment.”
 - “A violation of this section shall constitute an unlawful business practice and an act of unfair competition within the meaning of Section 17200 of the Business and Professions Code. The remedies and penalties provided by this section are cumulative to each other, the remedies under Section 17200 of the Business and Professions Code, and the remedies or penalties available under all other laws of this state.”¹⁴
- If the state or local jurisdictions wanted to add provisions for waivers to the cap (e.g., to allow pass-throughs for certain costs like capital investments, to “bank” unused increases in prior years or in recovery years following a severe economic downturn) or to strengthen enforcement beyond tenant complaints, oversight capacity would first need to be established at the local and/or state level.

Based on a CPI + 5 percent model in the previous ten years, we can estimate how this cap could play out over time in different regions of the state:

Annual Changes in the Consumer Price Index in California

	% Change in CPI from Prior Year				CPI + 5%			
	State of California	San Francisco Region	Los Angeles Region	San Diego Region	State of California	San Francisco Region	Los Angeles Region	San Diego Region
2017	2.9%	3.2%	2.8%	3.0%	7.9%	8.2%	7.8%	8.0%
2016	2.3%	3.0%	1.9%	2.0%	7.3%	8.0%	6.9%	7.0%
2015	1.5%	2.6%	0.9%	1.6%	6.5%	7.6%	5.9%	6.6%
2014	1.8%	2.8%	1.3%	1.9%	6.8%	7.8%	6.3%	6.9%
2013	1.5%	2.2%	1.1%	1.3%	6.5%	7.2%	6.1%	6.3%
2012	2.2%	2.7%	2.0%	1.6%	7.2%	7.7%	7.0%	6.6%
2011	2.6%	2.6%	2.7%	3.0%	7.6%	7.6%	7.7%	8.0%
2010	1.3%	1.4%	1.2%	1.3%	6.3%	6.4%	6.2%	6.3%
2009	-0.3%	0.7%	-0.8%	0.0%	4.7%	5.7%	4.2%	5.0%
2008	3.4%	3.1%	3.5%	3.9%	8.4%	8.1%	8.5%	8.9%
2007	3.3%	3.3%	3.3%	2.3%	8.3%	8.3%	8.3%	7.3%
2006	3.9%	3.2%	4.3%	3.4%	8.9%	8.2%	9.3%	8.4%

Source: *Terнер Center analysis of Bureau of Labor Statistics Data on All Urban Consumers*

Expand or Preserve Affordable Housing Stock through Tax Incentives

Our second proposal uses the tax code to incentivize property owners to create or preserve affordable units in their portfolio. Specifically, owners would receive an *ad valorem* property tax abatement for multifamily rental properties if they commit to setting aside a specific percentage of units at below market rate (BMR) rents.¹⁵

This proposal addresses the problem that rent controlled units are not means-tested (meaning that the benefits rent control may go to those with higher incomes) by specifically expanding incentives to create more permanently affordable units. Often, when building ownership is transferred (or when the landlord undertakes significant improvements), rents can increase significantly. By creating an incentive to keep a certain share of units BMR, we expand the supply of affordable housing in a way that doesn't constrain new construction.

This proposal takes its cues from the tax incentive model in Washington State. Like California's Prop 13 property tax regime, Washington also imposes a one percent cap on property taxes and generally limits increases in the annual property tax levy to one percent. In Washington, state law authorizes cities to enact 8- to 12-year abatements from *ad valorem* property taxes for both new and rehabilitated multifamily units. The exemption is allowed on the "value of new housing construction, conversion, and rehabilitation improvements." Thus the abatement is only on the incremental value, not the entirety of the property tax.

The Washington model allows localities to define eligible areas and the nuance of abatement requirements. For example, Tacoma, Washington simply requires 20 percent of units to be affordable at 80 percent of Area Median Income (AMI). Seattle, on the other hand, has gone through multiple iterations of target areas and affordability set asides (past iterations have required smaller set asides at deeper levels of affordability, e.g., 20 percent of units set aside at 60 percent of AMI to 30 percent set aside at 70 percent AMI; the current iteration ties level of affordability to size of unit, e.g., studios at 40 percent AMI, 3 bedrooms at 90 percent AMI). The program is credited with creating 8,589 new BMR rental units in Seattle since the program's inception in 1998 (though the majority of those units—7,672—have been created since 2008).¹⁶

California Property Tax Abatement Incentive for an Increased Supply of BMR Units

A tax incentive program in California could be structured similarly to the Washington state policy. In California's version, the state would adopt legislation granting a 15-year property tax abatement on the increased assessed value of the sale and/or renovation of an existing multifamily building, as well as on new value of multifamily building construction. The abatement is offered in exchange for the owner setting aside a set amount of affordable units for the same period of time as the abatement. The abatement would be *ad valorem*, meaning that localities would not see a decrease in existing property tax revenues. Rather, a city would forego new revenue for a period of years (similar to tax increment financing), effectively subsidizing the creation of affordable units.

Additional details are as follows:

- The incentive would be a dollar-for-dollar abatement of the increase in property taxes that result from a new assessed value as a result of improvements or the sale of the property. Eligibility for the abatement is based on the level of affordability and share of units set aside. It is important to note that the abatement would not extend to existing property taxes, land or non-housing related improvements and as such, cities and other taxing entities would not lose existing revenues.
- The state law baseline standard would require at least 10 percent of units set aside at some level of affordability, not to exceed 120 percent of AMI.
- Cities must adopt an ordinance that adheres to these baseline state-mandated standards, but can also create additional targeting and goals around affordability levels. For example, cities in Washington designate “target areas” to prioritize development. California cities could set different targets for depth of affordability—e.g., 30 percent of units must be set aside at 120 percent of AMI, or 15 percent of units must be set aside at 60 percent of AMI, or some combination thereof—and those targets could vary across different neighborhoods or target areas. The fundamental principle however would remain intact: the property owner’s participation in the program is voluntary and the benefit to the owner in property tax abatement translates is a dollar-for-dollar abatement for the affordability provided.
- The abatement would last for a period of 15 years and would require recorded regulatory agreements to remain in place for that duration.
- New construction properties that benefit from the abatement could opt for a one-time renewal if they undertake significant rehab, effectively doubling the period of restriction to 30 years. The renewed abatement, in keeping with the overarching regulation, would only be on improvements made to the property, which would allow for a “tapering off” of the incentive.

Creating an incentive for more BMR units would provide affordable housing to lower income individuals and families as well as avoid some of the unintended consequences of rent control, such as keeping rents low even for renters who may have significant income and wealth (including ownership of other property).

Building Capacity

To ensure both tenants and property owners are well-informed on their rights and obligations under these new proposals, investments should be made in education campaigns, legal aid services, and jurisdictional administration and oversight capacity. Moreover, investments should also be made to build or expand robust data collection mechanisms to monitor housing policies and analyze trends in the housing market. Currently, no single, publicly-available data source exists to provide property-level information on rent levels or vacancy rates over time, within and across jurisdictions. Collecting this information is vital to understanding the state’s housing issues and to ensure that policies are functioning as intended.

Conclusion

The two policies presented here would enhance protections against exorbitant rent increases while also using incentives to create a greater supply of affordable housing. While the Turner Center developed these proposals independently, they have been informed by emergent related conversations with other groups, including (but not limited to) the Committee to House the Bay (CASA) effort convened by Bay Area Metro. It is the Turner Center's perspective that these ideas thread the needle between what is needed and what is possible in current debates, and it is the Center's hope that these ideas inspire new thinking and action on this important issue.

That being said, it should also be reiterated that neither policy presented in this brief is meant to preclude other measures to both protect tenants and increase the production and supply of housing. Discussions surrounding policies such as the Ellis Act, "just cause" evictions or "right to counsel" remain pertinent, but outside the scope of this brief. Moreover, conversations on ways to increase residential development around transit, streamline approval processes, reduce development costs and increase funding for affordable housing development are also essential to achieving comprehensive affordability in the state.

APPENDIX A: Additional Policies

As part of its efforts to stimulate new ideas for renter protections, the Turner Center considered two other potential policies which, rather than create new affordability provisions in state law, would directly amend Costa-Hawkins without a full repeal. These policies would significantly expand rent control eligibility and would need to be adopted by each city into their own rent control ordinances. Ultimately, the Turner Center determined that these policies are less likely to garner a consensus from groups at opposite ends of the rent control debate. Moreover, given the previously identified issues with rent controls, the potential impacts of these policies on housing supply overall is still uncertain, and should be more thoroughly examined.

Expanding Costa-Hawkins Eligibility through a “Rolling Inclusion.”

The first of these ideas would allow “legacy” rent control cities with ordinances frozen before 1995 to bring their eligibility up to the statewide February 1, 1995 threshold.

Under current guidelines, multifamily units that are eligible for rent control are limited to multifamily buildings built before February 1, 1995. Moreover, in cities that had existing rent control ordinances at the time that Costa-Hawkins was enacted, state law freezes unit eligibility at the age threshold in place when those cities’ ordinances were adopted. For example, Los Angeles’ rent control ordinance limits eligibility to units built before 1978, while Mountain View—which adopted their ordinance only recently—limits eligibility to units built before February 1, 1995, as allowed by Costa-Hawkins. Of the 15 cities that have rent control, 10 have their eligibility thresholds frozen at a date of adoption that precedes the broader Costa-Hawkins provision.

Table 1. California Municipalities with Rent Control

	Units Exempt If Built After	General Increase Allowed
Los Angeles	1978	CPI + 1 to 2% for utilities paid
Hayward	1979	5%
Palm Springs	1979	75% of CPI
Santa Monica	1979	Based primarily on the regional CPI (2% in 2017 with \$40 cap)
San Francisco	1979	60% of CPI; total increases (with allowable pass-throughs and banking) not to exceed 7%
San Jose	1979	5%
West Hollywood	1979	75% of regional CPI
Berkeley	1980	65% of regional CPI
Oakland	1983	Regional CPI; total increases (with allowable pass-throughs and banking) not to exceed 10%
East Palo Alto	1988	80% of Regional CPI; total increases (with allowable pass-throughs and banking) not to exceed 10%
Alameda	1995	No cap, but increases above 5% are subject to review by Rent Review Advisory Committee
Beverly Hills	1995	3% or the regional CPI, whichever is higher
Los Gatos	1995	70% of CPI or 5%, whichever is greater; total increases (with allowable pass-throughs and banking) not to exceed 10%
Mountain View	1995	Regional CPI, but not less than 2% and not more than 5%; total increases (with allowable pass-throughs and banking) not to exceed 10%
Richmond	1995	Regional CPI, not less than 0%

Source: Terner Center analysis of municipal ordinances

(Note: The guidelines presented above represent the general parameters of rent control by jurisdiction. City ordinances often contain nuanced exclusions, exceptions and requirements not detailed here. Also not listed above are cities that offer mediation—like Campbell and Fremont—and places with rent control for mobile home parks, like Cotati. Thousand Oaks also has rent control for mobile homes and a limited ordinance that currently only applies to 9 units.)

This could bring a significant number of units that were previously ineligible under rent control in most of the state’s largest cities. The data suggest that bringing each city into compliance with the 1995 threshold would, on its own, be a meaningful extension of the regulation in affected jurisdictions.

Table 2. Multifamily Rental Units by Year Built

	Number of Multifamily Rental Units				Share of Multifamily Rental Stock			
	Before 1980	1980s	1990s	2000 to 2016	Before 1980	1980s	1990s	2000 to 2016
Los Angeles	492,919	93,649	52,332	73,403	69%	13%	7%	10%
San Francisco	170,205	10,297	6,269	15,969	84%	5%	3%	8%
Oakland	60,469	6,255	5,478	6,981	76%	8%	7%	9%
San Jose	46,182	12,201	12,486	18,421	52%	14%	14%	21%
Santa Monica	25,668	3,626	2,008	4,732	71%	10%	6%	13%
Berkeley	18,845	1,642	1,592	3,565	73%	6%	6%	14%
Hayward	7,249	4,687	1,216	546	53%	34%	9%	4%

Source: *Terner Center analysis of 2016 American Community Survey PUMS data*

Note: Data shown only represent multifamily properties. These data are also merely meant to be suggestive of the scale of the potential impact of adjusting Costa-Hawkins eligibility thresholds, given that they do not take into account additional nuances in eligibility that may be included in each city’s ordinances, and the data are reported in intervals that do not allow specificity in terms of single years of production.

The 1995 threshold was designed to ensure that new construction would not be disincentivized by the imposition of rent control. However, as time passes, the 1995 threshold will render rent controls in California increasingly ineffective and meaningless as units are removed through vacancy decontrol, demolition, condominium conversions or substantial rehabilitations. Given this, the Turner Center examined an alternative to the fixed 1995 date that could allow add new units to the rent controlled stock after a certain number of years. To avoid negative impacts on the supply of new housing, the date selected for expanding rent control to buildings based on age would be far enough in the past to allow owners (and, importantly, new investors) to amortize the value of their asset before it would be subject to rent controls.

It is important to understand the relationship between rent control eligibility tied to building age and the impact that this form of “rolling inclusion” could have on the construction of new housing. Investors and financial institutions make their investments based on the ability of a developer to provide a certain return or to service their debt, and if there is a possibility of that new housing falling under price controls—even after a certain amount of time—it is less likely that new housing will see investment, or in cases where they do, the cost of that financing is likely to rise. With that in mind, any policy that allows cities to bring new units under rent control after a certain year must strongly consider the impact this might have on new project financing and feasibility.

Conversations with professionals involved in the financing of housing development confirm that a price restriction placed too early on a new building would severely limit investment potential. There was consensus that a policy allowing cities to impose rent control on buildings newer than 40 years, for example, would negatively impact the supply of new housing. Ultimately, the investment becomes much riskier (because, for example, a price-controlled building will make reinvestments harder to finance down the road), and financing would be harder to come by, or more expensive. Some finance professionals did indicate that there *could* be a certain length of time (older than 40 years) where allowing rent control on a building may not *significantly* impact its potential to be financed and built. More research is necessary to understand what—if any—point in time would be acceptable to where the supply of new housing would not be impeded by the prospect of rent control several years in the future.

Allowing Rent Control on Single-Family Rentals

The second idea is to expand rent control to single-family buildings. Currently, Costa-Hawkins prohibits rent controls on single-family homes and condominiums, no matter the date they were constructed. However, single-family homes have become an increasingly significant portion of the overall stock of California’s rental housing.

Single-Family Rental Stock in California

	Share of rentals that are SFHs	Single-family rentals built before 1990	Single-family rentals built before 1980
California	37%	1.8 million	1.5 million
San Francisco	12%	25,600	23,800
Oakland	23%	21,900	20,800
San Jose	35%	38,400	34,500
Los Angeles	21%	170,100	161,700

Source: Turner Center analysis of 2016 American Community Survey microdata

Given the significance that single-family homes now play in the state’s rental housing market, expanding rent restrictions to these units could provide a significant new protection for tens of thousands of California renters.

However, consideration would need to be given to whether or not to impose restrictions on *all* single-family units, or to limit restrictions to property owners who own and rent more than a certain number of single-family properties. This caveat would help ease burdens on property owners who own a small number of properties as, for example, a retirement investment or perhaps rent their primary residence for a limited period of time due to a temporary job relocation or other family circumstance. Washington, D.C. has set a precedent in this area, exempting single-family homes owned by a “natural person” who owns no more than four such properties. However, it should also be noted that a limitation of controls to solely larger, institutional landlords would miss a large share of the single-family rental market and may not provide protections to the lowest-income renters who tend to live in housing managed by small landlords.

In order to implement this kind of policy, the state would need a more transparent and comprehensive registry of landlords than currently exists. It is also not known (because of the lack of such database) how many single-family rentals would be captured under this proposal. Yet, it would have the benefit of a more equal playing field for landlords of all types of rentals and tenants of these homes.

Endnotes

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- ⁴ Diamond, R., McQuade, T., & Qian, F. (2018). "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco." *NBER Working Paper No. 24181*.
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- ⁸ Diamond, R., McQuade, T., & Qian, F. (2018). "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco." *NBER Working Paper No. 24181*. Note that this study did not control for tenant income.
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- ¹⁴ California Legislature. (2016). California Penal Code, Title 10. Accessed here: https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=PEN§ionNum=396
- ¹⁵ Currently, state law allows only nonprofit owners of affordable housing to receive property tax incentives, known as the welfare property tax exemption.
- ¹⁶ Seattle Office of Housing. 2018. *Multifamily Tax Exemption 2017 Report*.